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CENTRAL INTELLIGENCE AGENCY

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COUNTRY Austria/USIA

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SUPPLEMENT TO 25X1A
REPORT NO. [REDACTED]USIA Sponsoring Illegal Imports to Acquire Funds and Unload Surplus Products

1. Aside from the fact that the Austrian consumers' market is still dormant, more and more USIA firms are facing bankruptcy because they cannot compete with non-USIA and foreign manufacturers.(1) In order to acquire ready cash and to unload surplus products, a number of USIA production administrations have started to sponsor the free import (Freischreibung) of commodities for Austrian businessmen who are willing to take over unsalable USIA products.
2. This method of pushing USIA's business apparently has the approval of ranking USIA officials. In fact, Vladimir Tikhomirov, Soviet Director General of USIA, recently authorized Punin, chief bookkeeper of A/O Avtovelo, Automotive and Fine Mechanics Department of USIA, to sponsor a shipment of 160 tons of sugar which Fritz Durst, Gemischwaren u. Mineraloel Grosshandel, import-export, Vienna VII. Neubaugasse 21, has imported from the Havlicek firm in Trieste. In exchange for this service Durst has agreed to pay A/O Avtovelo 160,000 schillings in cash for a sizeable lot of goods which this department has had on hand for several months.(2)
3. In the course of his negotiations with Hoechtl, Burghart and Durst, all representatives of Fritz Durst, Punin learned that these men have concluded similar agreements with Medveyev, a Soviet official in the Hotel Imperial. Other Avtovelo officials have learned that USIA's Food Industry Administration has just made a comparable arrangement with an Engr. Wetscha and that Frau Olga Frindwald, a well-known Vienna businesswoman, has asked the Sales and Purchasing Office of USIA's Electrical Industry Administration to sponsor a shipment of three carloads of neon tubing, valued at 2,500,000 schillings, which she has just imported from Germany. (3)
4. Allegedly on the grounds that he does not want to do business with the well-known Communist-controlled export-import firm, "Intrac" Gesellschaft fuer Internationalem Handelsaustausch und Grosshandel m.b.H. because of its unsavory reputation, Hoechtl has also asked A/O Avtovelo to import 50 carloads of corn, white beans, linseed meal, potato pulp and oats which the Fritz Durst firm wished to procure from Hungary.(4) A/O Avtovelo officials have not yet accepted Hoechtl's proposal.

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Current Negotiations Between USIA and Intrac G.m.b.H.

5. Another indication of Intrac's loss of prestige is seen in its current negotiations with A/O Avtovelo officials. Intrac has offered to handle on behalf of A/O Avtovelo the sale of certain so-called compensation goods in Hungary, provided that it is named sole representative in both Hungary and Bulgaria products manufactured by Avtovelo firms particularly those of Austro-Fiat. USIA officials believe Intrac officials are prepared to sign a contract and would be willing to offer them some sort of sales guarantee. But despite pressure from USIA Headquarters to push the sale of surplus raw materials and products, A/O Avtovelo officials have advised Intrac that they will not sign a contract until Intrac has completed several transactions on their behalf. It is possible that this decision may have been influenced by Smurshenkov, Shushenkov's successor as Director of USIA's Central Commercial Bureau, who recently told Pshenichnikov, director of the A/O Avtovelo Sales and Purchasing Office, that Intrac now has a bad reputation. (7)

Trade with Hungary

6. USIA Headquarters has just issued an order forbidding USIA enterprises to accept or compensation any products similar to those manufactured by USIA firms. As a result of this order, the A/O Avtovelo Department cannot accept the shot glass which Méguri, N.V., Budapest, Szefü utca 5, recently offered as payment for five Austro-Fiat trucks and an unknown number of hydraulic dump trucks. As it now stands A/O Avtovelo officials will probably have to settle for Hungarian foods if they intend to do business with Hungarian firms. (7)

Dismantling

7. The Soviets have resumed dismantling operations at the Hirtenberger Palronenfabrik plant. USIA employees have learned that several hundred machines are to be scrapped in accordance with a Moscow order which Tikhomirov received from the Hotel Imperial sometime in January 1950.

Soviet Orders

8. Lener Werkzeug- u. Werkzeugmaschinenfabrik, Ing. Frank & Co. has completely overhauled and modernized 20 twist drill grinding machines which USIA received from the Soviet Union several months ago. As yet the Soviets have not accepted delivery of these machines which are now being held in a Juschneschtrasse warehouse.

USIA Customers

- a. During the past three weeks A/O Avtovelo Sales and Purchasing Office has received the following offers:

- a. Heinrich Heitz & Co., Vienna (Goldschmidgasse 10), has asked Avtovelo to quote its prices in pounds sterling f.o.b. European ports/Diesel motors, narrow-gauge Diesel locomotives, winches, wiring equipment, manometers, electrical units, tools etc. Heitz desires these commodities for shipment to the Far East.
- b. "Ostex", Import und Export G.m.b.H., Vienna VI, Theobaldgasse 19, has advised A/O Avtovelo that it is interested in purchasing Diesel motors for shipment to Argentina.
- c. Dr. Schwimmer, Vienna IX, Ungargasse 12/6, wishes to purchase 50 buses, trucks, and Diesel motors for trucks on behalf of the Meier Balass firm in Teheran. (7)
- d. J. M. Proschek, Vienna IV, Brucknerstrasse 2, has informed A/O Avtovelo that he would like to be sole representative of Avtovelo products in the Western provinces of Austria.

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Personnel Changes in USIA Headquarters

10. P. Kabalevski has been appointed deputy to Tikhomirov, Soviet General Director of USIA. Tikhomirov's interpreter, Schapira, has been recalled to Moscow and it is reported that he will be assigned to Berlin where he will continue to work as an interpreter for USIA.
11. Following a two months' vacation in Moscow, Khotkov, Chief of USIA's Legal Department, was suddenly recalled to the USSR. Khotkov is scheduled to return to Vienna 20 June 1950 and USIA employees believe he will bring new directives from Moscow. Dr. Bagdazarov, counsellor of the Legal Department, has been transferred to Berlin.

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- (1) **Comment:** According to an unprocessed report, [REDACTED] and dated 25X1C [REDACTED] the Soviets are preparing to dump large quantities of USIA products on the Austrian market in another attempt to undersell their competitors. In this connection it is also interesting to note that a usually reliable source reported 31 May 1950 that the USIA-controlled J. M. Voith has not received any Soviet orders since September 1949.

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(2) [REDACTED]

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- (3) [REDACTED] **Comment:** Frushwald is one of six Austrians recently hired by Mitterbacher & Wagner to operate its new subsidiary firm, the Austro-Iranian Trading Company in Teheran. Frau Frushwald and her colleagues have signed a two year contract and they will leave for Teheran in the very near future.

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- (4) [REDACTED] **Comment:** It is rumored that the Light Industry and Food Industry Administrations of USIA are planning to establish in Vienna several retail stores which will serve as outlets for textiles, leather goods, and foodstuffs brought into Austria illegally, i.e., duty free from the satellites.

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- (5) [REDACTED] **Comment:** Many Austrian businessmen are now reluctant to do business with Intrac G.m.b.H. as a result of the hostile campaign which the Vienna press has waged against this firm during recent weeks.

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- (6) [REDACTED] for a more detailed account of Aviavelo's current negotiations with various Hungarian firms.

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- (7) [REDACTED] **Comment:** Dr. Schwimmer is not listed in the 1950 Handels or Industrie Kompass; however, he may be identical with "Schwiper" whom we have mentioned in [REDACTED]

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